

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Six County Employment Alliance	County Delta
Fiscal Year End 6/30/06	Opinion Date 11/1/06	Date Audit Report Submitted to State 12/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature <i>Kevin C. Pascoe, CPA</i>		Printed Name Kevin C. Pascoe, CPA		License Number 1101026882

**SIX COUNTY EMPLOYMENT ALLIANCE**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	
Independent Auditor's Report	1-2
Report of Management	3
Management's Discussion and Analysis	4-18
<b>BASIC FINANCIAL STATEMENTS:</b>	
Governmental Funds Balance Sheet/Statement of Net Assets	19
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	20
Notes to Financial Statements	21-28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - All Governmental Fund Types	29
<b>ADDITIONAL INFORMATION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36
Schedule of Prior Audit Findings	37



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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**INDEPENDENT AUDITOR'S REPORT**

Six County Employment Alliance  
Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund information of the Six County Employment Alliance, Escanaba, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Alliance's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Six County Employment Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Six County Employment Alliance, Escanaba, Michigan, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2006, on our consideration of the Six County Employment Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages four through eighteen and page 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Six County Employment Alliance's basic financial statements. The report of management and additional information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Six County Employment Alliance. The additional information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The report of management has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

November 1, 2006

## SIX COUNTY EMPLOYMENT ALLIANCE

### REPORT OF MANAGEMENT

The management of Six County Employment Alliance has prepared, and is responsible for the integrity of, the financial statements and related financial information contained in this Basic Financial Statements. Our financial statements have been prepared in conformity with generally accepted accounting principles, and financial information included elsewhere in this report is consistent with our financial statements.

We maintain a system of internal controls designed to provide reasonable assurance that our assets are safeguarded and that transactions are properly executed and recorded in a manner that is in compliance with all of our governing authorities, including Michigan Department of Labor & Economic Growth, Michigan Department of Treasury, U.S. Department of Labor, U.S. Department of Health and Human Services, Internal Revenue Service, and others, as applicable. The systems are monitored by management. Written policies and procedures have been developed to support the internal control systems in place and are updated as necessary.

The accompanying financial statements have been audited by Anderson, Tackman, & Co., PLC, independent public accountants, whose report precedes this report.

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Orrin E. Bailey  
Chief Executive Officer

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Gwen L. Wood  
Chief Operating Officer

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Michelle T. Viau, CPA, CMA  
Chief Financial Officer

## SIX COUNTY EMPLOYMENT ALLIANCE

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Six County Employment Alliance offers readers of these financial statements a narrative overview of the financial condition and activities for the year ended June 30, 2006. Please read this narrative in conjunction with the review of our financial statements and financial statement notes.

#### OVERVIEW

Six County Employment Alliance is the legal entity that provides the structure for financial and grant management for activities of Michigan Works! The Job Force Board, whose mission is:

*Michigan Works! The Job Force Board believes that a sound economic base is essential to maintain the quality of life in the six-county region it serves. The Board fosters economic development and encourages and supports employers to promote full employment for our residents.*

The Job Force Board and its Career Connections Group continue to support and participate in activities aligned to the Job Force Board's Strategic Plan. During this fiscal year, both boards continued their efforts to advance their original three-year strategic plan:

**Goal 1:** "35% of employers with 25 to 35 employees or more will indicate that job seekers' academic and employability skills are at or above those desired by the employer."

Key Strategic Activities: Strengthening academic and employability skills:

- Continued "Ready for Work" workshops at the Michigan Works! Service Centers and in local area schools.
- Partnered with Delta Force, Delta County Leadership Academy, to provide exploration of career paths in a hospital setting to 20 adults in the community.
- Developed internship opportunities for youth to explore careers in healthcare, childcare, government, trades, early childhood development, service and manufacturing.
- Assisted Intermediate School Districts and K-12s in hosting career fairs and job shadowing.

**Goal 2:** “A seamless education system providing life-long learning opportunities where each public school and institutions of higher learning will actively participate in at least one career contextual learning curriculum”.

Key Strategic Activities: To understand the linkage between academic success, employability skills and success beyond school.

- Partnered with the Upper Great Lakes Educational Technologies, Inc. (UGLETI) to employ tech- savvy youth to teach computer classes to the general population.
- Support opportunities for educators to participate in private industry experience and/or training in entrepreneurial development:
  - Entrepreneurial Curriculum Development Grant awarded to Upper Peninsula Schools resulted in
    - Participation in the Entrepreneurial Expo at Bay College
    - Identified Michigan Works! Staff as Entrepreneurial Trainers
- Upper Peninsula Healthcare Roundtable member Schoolcraft Memorial Hospital hosted on-site career fair for 200 Manistique High School juniors to explore the career paths in a hospital setting.

**Goal 3:** “Develop a labor market information exchange system that tracks local, current, and future trends & needs; which partners with 80% of the Upper Peninsula’s economic development partners”.

Key Strategic Activities: To support economic development partners in having local labor market information for business attraction, expansion, and retention...growing U.P. businesses.

- Michigan Works! Staff visited 2,509 businesses.
- Michigan Works collaborated with the Delta Schoolcraft Intermediate School District to respond to healthcare shortages in Schoolcraft County facilitating the scheduling of training, advertising and processing applications. Sixteen Certified Nurse Aides were trained with placements in home health and at the Schoolcraft Medical Care facility.
- Union Apprenticeship Career Fair was held at the Chip In’s Island Resort and Casino with representatives from U.P. Plumbers & Pipefitters, Sheet Metal Workers, International Association, Local #1510 Bridge Structural, Ornamental, Reinforcing Iron Workers and Machinery Movers Local #8; Construction Craft Laborer’s Apprenticeship Program, International Union of Operating Engineers, I.B.E.W. Electrical Local 979, Bricklayers and Allied Craftworkers. The U.P. Construction Council and Hannahville’s Project Vision sponsored the event at which Michigan Works! presented “Ready for Work”.



**Goal 4:** “Recruit and provide an adequate supply of job seekers to at least 90% of employers utilizing the Michigan Works! System”.

Key Strategic Activities: Provide business with an applicant pool with the required Knowledge, Skills, and Abilities.

- Michigan Works! Staff filled 3,669 job orders.
- NewPage Papers Group chose the staff at Michigan Works! in Delta County to assist in their recruitment and hiring process.
- Sheet Metal Worker’s Local Union #7 called upon Michigan Works! for recruitment of qualified applicants for an apprentice sheet metal worker. In one week’s time, 35 applicants applied and were assessed at Michigan Works!
- Manistique Papers, Inc. utilized the Michigan Works! Service Center in Schoolcraft County to process 400 job seekers seeking employment at the facility, handling processing applications and scheduling/proctoring the required assessments.

**Goal 5:** “Provide incumbent worker skill enhancement training or human resources technical assistance to avert a downsizing or layoff to 100 employers during Year 1, 50 employers during Year 2, and 75 employers during Year 3”.

Key Strategic Activities: Promote M-TEC, NMU, Bay College and local training vendor services, increase skill level of incumbent workers, and business viability.

- The Michigan Works! Service Center System adopted the International Computer Driving License, a web-based program created to help individuals become more competent with computer use, increasing their productivity at work. Systems Control of Iron Mountain Michigan was the first employer to utilize this training for incumbent workers.
- Michigan Works! co-sponsored the first annual “IT in the UP Summit Strategies and Conference” with the M-TEC at Bay College. Michigan Works! staff were among the presenters to over 125 participants.
- Michigan Works! Center personnel presented at the 1<sup>st</sup> Annual U.P. Non-Profit Conference, “Keeping Your Most Valuable Assets”, a model on employee retention and finding and keeping skilled employees. 150 people participated in this conference.

This was the final year for the above goals; therefore, the Job Force and its Career Connections Group have recently updated the strategic goals to reflect the changes in trends in our service delivery area. The revised goals and progress will be included in the audit report for the year ending June 30, 2007.

## **HIGHLIGHTS**

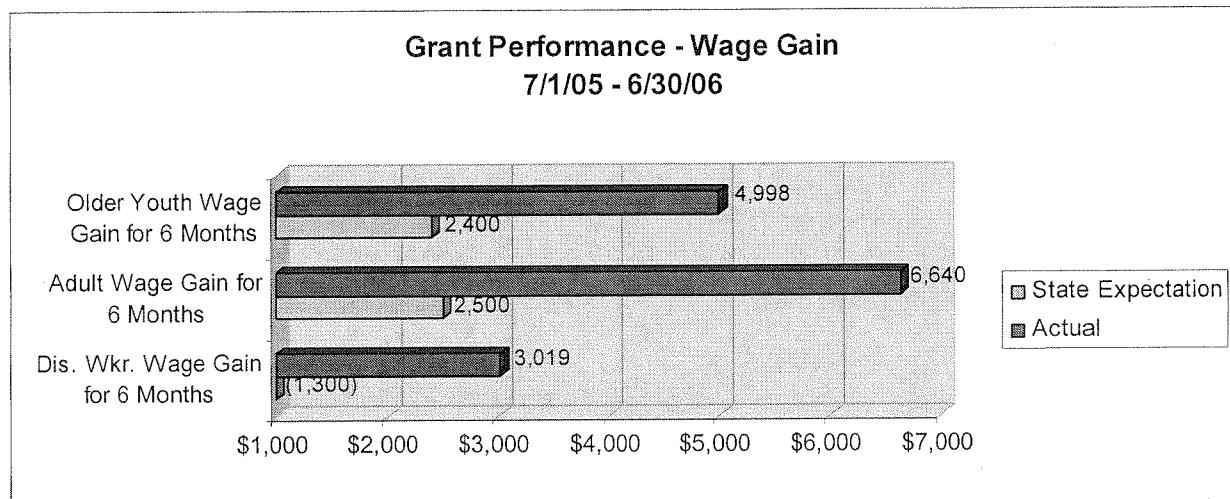
Within the past two years, the Job Force actively pursued and received additional funding from the Michigan Department of Labor and Economic Growth to develop Regional Skills Alliances (MiRSAs) in three separate industries: Healthcare, Construction and Manufacturing. In addition, the Board has supported the Forestry and Midwest Lineman School Alliances. The Upper Peninsula Healthcare Roundtable began its second year as a designated Alliance.

MiRSAs are regionally and industry-based partnerships comprised of employers, educational institutions, training providers, economic development organizations, and Michigan Works! These partnerships have formed to address workforce shortages and issues that face our regional employers. All of the alliances share a common goal: to increase awareness of careers within the respective industries and to provide solutions to meet the industries' workforce needs. The Job Force Board serves as the convener for Healthcare, Construction and Manufacturing.

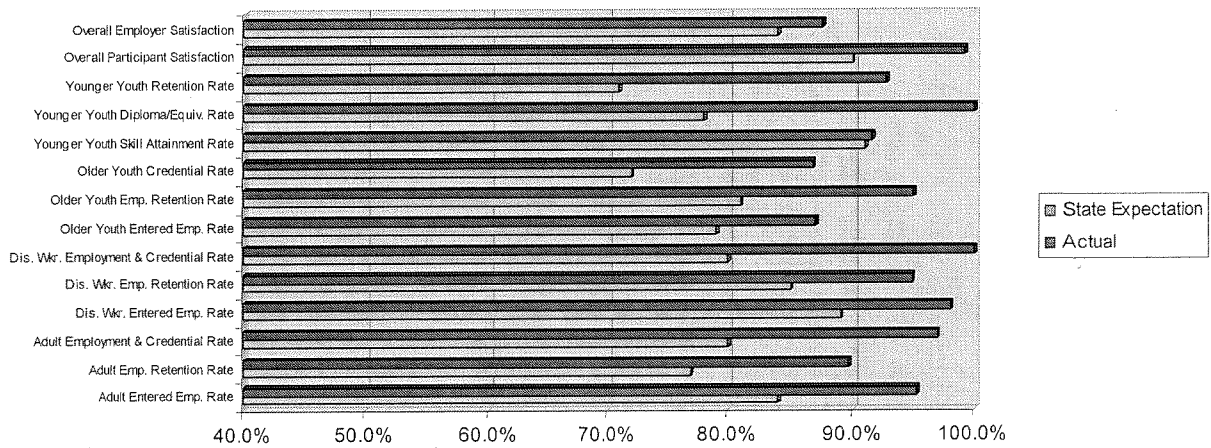
## **PERFORMANCE HIGHLIGHTS**

### **Grant-Specific Performance:**

The following two charts illustrate actual performance as compared to the State expectations for the 17 grant-required performance categories. Actual performance exceeded State expectations in every category.



### Grant Performance 7/1/05-6/30/06



### System-wide Performance

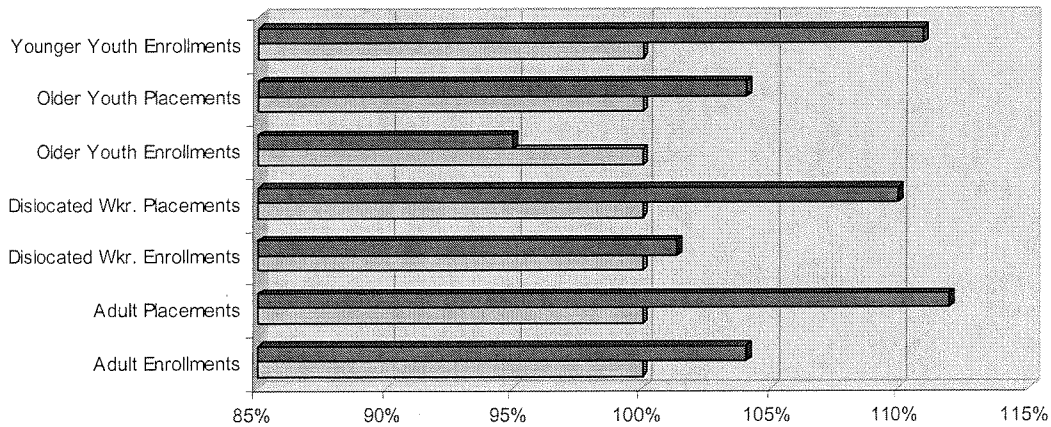
The contracts with the Alliance's Service Providers stipulate internal system wide goals, which are illustrated in the charts.

In addition, the following measures were achieved:

- The goal for overall placements to employment throughout all six counties was 2,594; Service Providers exceeded this goal by 715, or 28%.
- Service center activity totaled 70,329, exceeding our goal by 18,329, or 35%.

## Systemwide Performance Goals - Chart 1

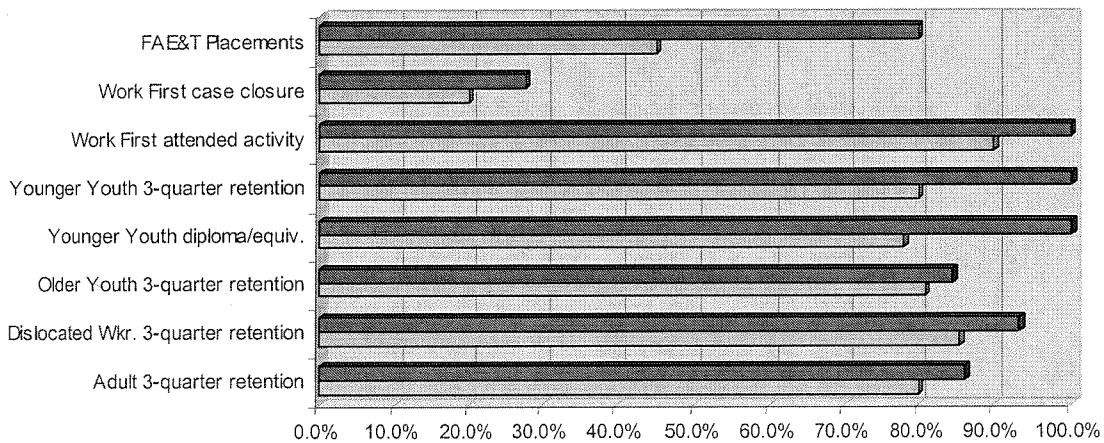
7/1/05- 6/30/06



	Adult Enrollments	Adult Placements	Dislocated Wkr. Enrollments	Dislocated Wkr. Placements	Older Youth Enrollments	Older Youth Placements	Younger Youth Enrollments
Actual	104%	112%	101%	110%	95%	104%	111%
Goal	100%	100%	100%	100%	100%	100%	100%

## Systemwide Performance Goals - Chart 2

7/1/05- 6/30/06

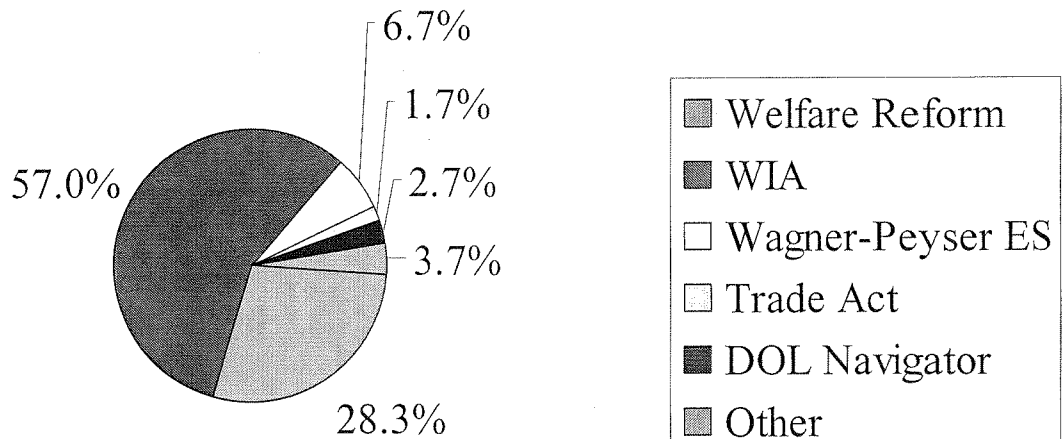


	Adult 3-quarter retention	Dislocated Wkr. 3-quarter retention	Older Youth 3-quarter retention	Younger Youth diploma/equiv.	Younger Youth 3-quarter	Work First attended activity	Work First case closure	FAE&T Placements
Actual	86.3%	93.4%	84.6%	100.0%	100.0%	99.9%	27.8%	80.0%
Goal	80.0%	85.5%	81.0%	78.0%	80.0%	90.0%	20.0%	45.0%

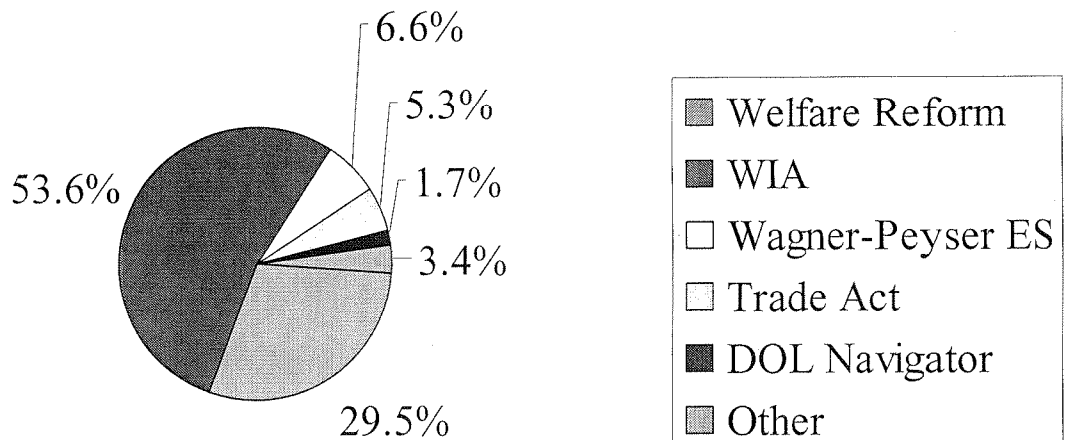
## **Financial Summary:**

- Total revenues from all sources were \$233,173 lower than last year (5.1%). This change was the result of the following:
  - Federal revenues are decided annually by the U.S. Congress; Michigan revenues by its Legislature.
  - The level of funding in each funding stream is determined initially by the federal allocation to the State of Michigan; then, a funding formula determines the allocation amount to each of the 25 Michigan Works Agencies throughout the state, based on several economic and demographic factors.
  - Because the funding streams pay on a reimbursement basis, the Alliance's revenues equal its expenditures. In spite of some statewide budget cuts, the Alliance continued providing services throughout the six county region, and continued to surpass State of Michigan and Alliance expectations.
- The Alliance's total assets increased by 5.8% and total liabilities increased by 39.8%; this is within the normal fluctuations from year to year mostly due to the changes in the Due from State of Michigan and Deferred Revenue accounts which are discussed in the third and fourth bullet points of the Statement Analysis below.
- Total Net Assets decreased by 19.6%. However, the total Fund Balances increased by 1.2%. The adjustments for capital assets and deferred revenue caused the Statement of Net Assets' total assets to decrease more than its total liabilities.
- The pie graphs on the following page illustrate the changes in the composition of funding between the 2004-05 fiscal year and the 2005-06 fiscal year.
  - Total grant funding decreased by 5.8%, while non-grant revenues increased by 52.4%; Wagner-Peyser Employment Services and Welfare Reform remained consistent in terms of percentages of total funding.
  - WIA funding increased from 53.6% to 57% of total funding, as the Alliance again reaped the rewards of maintaining carry-in funds from the 2004-05 fiscal year in the WIA funding sources.
  - Trade Act funding decreased from 5.3% to 1.7% of total funding, due to many Trade-eligible participants completing their training early in the current fiscal year, and fewer Trade-certified events occurring during the current fiscal year.

### Composition of Funding 7/1/05 - 6/30/06



### Composition of Funding 7/1/04 - 6/30/05



#### Statement format:

- The statements are in compliance with the requirements of applicable federal and state regulations, including but not limited to OMB Circulars, GASB 34 and the Michigan Uniform Budgeting and Accounting Act.
- The Alliance's federal and state funding sources mandate that capital assets be reported to the State as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

GASB 34 requires organizations to report depreciation expense in the Statement of Activities.

- The format, as described below, is recommended for entities such as the Alliance, since it is a special purpose government that engages only in a single type of activity (defined as *Workforce Development Activity*).
  - The Governmental Funds Balance Sheet/Statement of Net Assets begins with the Modified Accrual Basis format, then introduces an adjustment for Capital Assets, net of accumulated depreciation, as well as one to remove deferred revenue, then shows the Statement of Net Assets.
  - The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities begins with revenues and expenditures using the Modified Accrual Basis, then introduces the adjustments to remove the Capital Outlay, include Depreciation Expense, and include Deferred Revenue, then shows the Statement of Activities in the final column.
  - A Budgetary Comparison Schedule is in the section called Required Supplementary Information. This shows the original budget amounts for revenues and expenditures, the final budget, actual amounts for the year, and the variance with the final budget.

#### **Statement Analysis:**

- 93.7% of the Alliance's revenues in the current year came in the form of federal grants passed through the State of Michigan; 4.4% were from state grants. 63% of the other revenues earned was from local (non-federal, non-state) grant sources, while 36% of the other revenues earned was considered program income and was required to be used for the specific purpose of furthering program objectives of the federal or state grants. The remainder of other revenues earned was available to be preserved; thus strengthening the fund balances. This translated into the total fund balances increasing by \$1,499 for the year.
- The amount Due from the State of Michigan, \$332,506, is simply recognition of a point-in-time amount by which the accrued expenditures as of June 30, 2006 exceeded the actual cash received as of the same date. Due to the nature of the Due from State account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference between when the expenditure is accrued and when the funds are received. This amount is included in federal grant revenues of the respective funding sources.
- Deferred Revenue of \$340 is likewise recognition of a point-in-time amount by which the cash received as of June 30, 2006 exceeded the accrued expenditures as of the same date. Due to the nature of the Deferred Revenue account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference

between when the expenditure is accrued and when the funds are received. This amount is excluded from grant revenues of the respective funding sources.

- The difference between the original budget and final budget amounts were due to changes in funding allocations throughout the year. Causes of funding changes are discussed below.

The Alliance, like all Michigan Works Agencies, conducts business in a dynamic funding environment, where numerous adjustments are made to allocation amounts throughout any given year.

- Local factors, such as trade-affected businesses closing, can initiate an increase in funding.
- Incentive monies for WIA and Welfare Reform are available and allocated based on system performance within each MWA.
- State or federal budget decisions can cause decreases or increases in funding.
- Occasionally, the State may rescind unspent funding from one or more Michigan Works! Agencies and reallocate it to other MWAs as need is demonstrated.



**MANAGEMENT'S DISCUSSION & ANALYSIS:**

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and equivalents:		
Unrestricted - General Operating	\$ 113,659	\$ 8,548
Restricted - Funded Leave	108,621	60,115
Due from State of Michigan	332,506	409,648
Accounts Receivable	15,323	17,504
Prepaid Expenses	600	-
Noncurrent Assets:		
Capital Assets, net	208,346	241,437
Total Assets	<u>779,055</u>	<u>737,252</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	308,702	154,789
Accrued Payroll	16,273	14,046
Accrued Payroll Taxes and Related	6,815	39,139
Accrued Compensated Absences	106,993	105,987
Total Liabilities	<u>438,783</u>	<u>313,961</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets	208,346	241,437
Unrestricted	131,926	181,854
Total Net Assets	<u>\$ 340,272</u>	<u>\$ 423,291</u>

# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2006	% Increase/ - Decrease	2005
<b>REVENUES:</b>			
Federal Grants	\$ 4,060,832	-5.0%	\$ 4,276,637
State Grants	194,546	-18.8%	239,697
Other Revenue and Interest	80,761	52.4%	52,978
Total Revenues	<u>4,336,139</u>	-5.1%	<u>4,569,312</u>
<b>EXPENDITURES:</b>			
Workforce Development Activity:			
Personal Services	894,043	7.6%	830,579
Supplies	99,393	27.8%	77,748
Other Services and Charges	3,342,773	-6.9%	3,590,293
Depreciation	82,949	-21.7%	105,956
Total Expenditures	<u>4,419,158</u>	-4.0%	<u>4,604,576</u>
Increase (Decrease) in Net Assets	(83,019)	-135.4%	(35,264)
Net Assets - Beginning	<u>423,291</u>		<u>458,555</u>
Net Assets - Ending	<u>\$ 340,272</u>	-19.6%	<u>\$ 423,291</u>

# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2006	% Increase/ - Decrease	2005
<b>REVENUES:</b>			
Federal Sources:			
Work First	\$ 782,195	41.7%	\$ 551,911
Food Assistance Employment & Training	112,589	-9.3%	124,196
Reemployment Services	21,161	-16.4%	25,317
Reed Act - Work First	79,023	-81.8%	433,996
RSA - Michigan Regional Skills Alliance	77,423	1183.5%	6,032
Employment Services	271,143	-2.2%	277,190
Trade Act	76,068	-68.7%	242,910
USDOL Work Incentive Grant (Navigator)	116,541	52.5%	76,432
WIA Administration	212,714	-6.3%	227,019
WIA Adult	724,804	-12.6%	829,458
WIA Dislocated Worker	589,976	-4.1%	615,421
WIA DW Rapid Response JAC #1278	2,962	-35.1%	4,562
WIA Youth	751,596	2.6%	732,633
WIA Statewide - Capacity Building	24,000	0.0%	24,000
Reed Act - Service Center Operations	24,727	-75.2%	99,811
WIA Statewide - Service Center Operations	59,124		-
WIA Statewide - Incumbent Worker	99,651	2391.3%	4,000
WIA Statewide - Incentive	35,135	1908.9%	1,749
Total Federal Sources	<u>4,060,832</u>	-5.0%	<u>4,276,637</u>
State Sources:			
GF/GP Work First	194,546	-5.7%	206,264
Food Assistance Employment & Training - Supportive Serv.	-	-100.0%	746
PAL	-	-100.0%	32,687
Total State Sources	<u>194,546</u>	-18.8%	<u>239,697</u>
Local Sources:			
Total Local Sources	<u>80,761</u>	52.4%	<u>52,978</u>
Total Revenues	<u>4,336,139</u>	-5.1%	<u>4,569,312</u>

# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2006	% Increase/ - Decrease	2005
<b>EXPENDITURES:</b>			
LONG	\$ 230	-111.0%	\$ (2,085)
Work First	781,697	44.3%	541,720
GF/GP Work First	194,572	-3.5%	201,576
Food Assistance Employment & Training	112,264	-8.6%	122,892
Reemployment Services	21,166	-16.4%	25,317
Reed Act - Work First	119,729	-74.0%	460,701
RSA - Michigan Regional Skills Alliance	110,586	945.1%	10,581
Build UP! Tool Kits	4,927	207.9%	1,600
Employment Services	272,638	0.6%	271,084
Trade Act	76,128	-68.7%	242,952
USDOL Work Incentive Grant (Navigator)	116,541	52.5%	76,432
PAL	-	-100.0%	32,687
WIA Administration	217,316	-2.9%	223,794
WIA Adult	717,259	-13.5%	828,917
WIA Dislocated Worker	585,543	-3.7%	608,278
WIA DW Rapid Response JAC #1278	2,962	-35.1%	4,562
WIA Youth	744,311	3.8%	716,998
ADA Steering Committee mini-grant	500		-
WIA Statewide - Capacity Building	24,000	0.0%	24,000
WIA Statewide - Service Center Operations	59,126		-
Reed Act - Service Center Operations	24,884	-75.0%	99,701
WIA Statewide - Incumbent Worker	100,271	2816.6%	3,438
Worker Incentive Grant	(45)	-200.0%	45
WIA Statewide - Incentive	35,285	1917.4%	1,749
UGLETI Grant	14,319	751.8%	1,681
Depreciation	82,949	-21.7%	105,956
Total Expenditures	<u>4,419,158</u>	-4.0%	<u>4,604,576</u>
EXCESS OF REVENUES (EXPENDITURES)	(83,019)	-135.4%	(35,264)
<b>NET ASSETS:</b>			
Beginning of Year	423,291		458,555
End of Year	<u>\$ 340,272</u>		<u>\$ 423,291</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS:

	<u>2006</u>	<u>% Increase / - Decrease</u>	<u>2005</u>
<b>EXPENDITURES:</b>			
General Administration	\$ 469,249	-11.3%	\$ 529,048
Program Services	3,866,960	-2.6%	3,969,572
Depreciation	<u>82,949</u>	-21.7%	<u>105,956</u>
Total Expenditures	<u>\$ 4,419,158</u>	-4.0%	<u>\$ 4,604,576</u>

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Michigan Works Agency Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>ASSETS:</b>			
Current Assets:			
Cash and equivalents:			
Unrestricted - general operating	\$ 113,659		\$ 113,659
Restricted - funded leave	108,621		108,621
Due from State of Michigan	332,506		332,506
Accounts Receivable	15,323		15,323
Prepaid Expenses	600		600
Noncurrent Assets:			
Capital Assets, net (Note D)	-	\$ 208,346	208,346
Total Assets	<u>570,709</u>	<u>208,346</u>	<u>779,055</u>

**LIABILITIES**

Current Liabilities:			
Accounts Payable	308,702		308,702
Accrued Payroll	16,273		16,273
Accrued Payroll Taxes and Related	6,815		6,815
Deferred Revenue	340	(340)	-
Accrued Compensated Absences	106,993		106,993
Total Liabilities	<u>439,123</u>	<u>(340)</u>	<u>438,783</u>

**FUND BALANCE/NET ASSETS**

Unreserved	<u>131,586</u>
Total Fund Balances	<u>131,586</u>
Total Liabilities and Fund Balance	<u>\$ 570,709</u>

Net Assets		
Invested in Capital Assets	208,346	208,346
Unrestricted	340	131,926
Total Net Assets	<u>\$ 208,686</u>	<u>\$ 340,272</u>

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets:

Capital assets used in governmental activities are not financial  
sources and therefore are not reported in the funds.

\$ 208,346

Deferred revenue reported as a liability on the balance  
sheet of the fund financial statement has been recognized  
as revenue in the Statement of Activities and has been  
removed from the Statement of Net Assets.

340

Total adjustments

\$ 208,686

See accompanying notes to financial statements

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2006**

	Michigan Works Agency Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Federal Grants	\$ 4,109,038	\$ (48,206)	\$ 4,060,832
State Grants	194,567	(21)	194,546
Charges for Services	20,816		20,816
Interest	1,558		1,558
Other Revenue	61,587	(3,200)	58,387
Total Revenues	<u>4,387,566</u>	<u>(51,427)</u>	<u>4,336,139</u>
EXPENDITURES:			
Workforce Development Activity:			
Personal Services	894,043		894,043
Supplies	99,393		99,393
Other Services and Charges	3,342,773		3,342,773
Depreciation		82,949	82,949
Capital Outlay (Note A.5)	49,858	(49,858)	-
Total Expenditures	<u>4,386,067</u>	<u>33,091</u>	<u>4,419,158</u>
Net Change in Fund Balance	1,499	(84,518)	(83,019)
Fund Balance/Net Assets - Beginning	130,087		423,291
Fund Balance/Net Assets - Ending	<u>\$ 131,586</u>	<u>\$ (84,518)</u>	<u>\$ 340,272</u>

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those  
assets are capitalized and the cost of those assets are  
allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which  
depreciation expense (\$82,949) exceeded capital outlays  
(\$49,858).

\$ (33,091)

This amount reflects the deferred revenue reported in the  
fund financial statements that are recognized as revenue in  
the Statement of Activities offset with the amount of  
deferred revenue recognized in the Statement of Activities  
in the prior year.

(51,427)

Total adjustments

\$ (84,518)

See accompanying notes to financial statements

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Six County Employment Alliance was organized by the counties of Alger, Delta, Dickinson, Marquette, Menominee, and Schoolcraft in 1974 to operate Comprehensive Employment and Training Act programs. It was organized under Michigan Public Act 8 with Delta County as the lead county of the six counties.

In 1983, the Six County Employment Alliance was organized under Public Act 7 to operate employment and training programs. The organization operates under a Board comprised of two local elected officials from each of the six member counties. A Director is hired by the Six County Employment Alliance Board to manage operations. The Alliance's basic financial statements include all accounts and programs for which the Board exercises oversight responsibility.

The accompanying financial statements present the activities of Six County Employment Alliance. The accounting policies of the Alliance conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

- (1) Fund Accounting - The accounts of the Alliance are organized on the basis of funding streams. The operations of each funding stream are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funding streams based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funding streams are grouped into one fund and one activity, according to the Michigan Uniform Chart of Accounts under the Michigan Uniform Budgeting and Accounting Act (MUBAA) as follows:

#### GOVERNMENTAL FUND TYPE:

Michigan Works Agency Fund – The Special Revenue Fund type designated as the Michigan Works Agency Fund is the general operating fund of the Alliance. It is used to account for all program financial resources, each of which is recorded in separate revenue and expenditure categories within the fund. This fund name was designated by the Michigan Department of Treasury to identify the unique fund type under MUBAA of the Michigan Works Agencies.



# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ACTIVITY:

Workforce Development Activity – The Workforce Development Activity classification was designated by the Michigan Department of Treasury as well to identify the unique activity type under MUBAA of the Michigan Works Agencies.

- (2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Alliance maintains its accounting records on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include federal program sources. Other revenue sources are recorded as revenues when received because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. When both restricted and unrestricted resources are available for use, it is the Alliance's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- (3) Compensated Absences - Accumulated vacation and sick pay amounts, which are expected to be liquidated with expendable available resources, are recorded in the operating fund. The Alliance's restricted cash and equivalents of \$108,621 at June 30, 2006, are for the payment of accrued sick and annual vacation time.

Annual leave is accrued progressively according to the Personnel Manual and can be carried over from year to year. Cash payoff of annual leave is available annually and upon termination of employment. Employees accrue sick leave at a rate of thirteen days per year. Sick leave can be carried over from year to year. Cash payoff of accrued sick leave is available once annually for all hours accrued over 80 hours. Accrued sick leave is paid out upon termination of employment

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (4) Capital Assets - Capital assets, which include equipment and vehicles, are reported in the statement of net assets. Capital assets are defined by the Alliance as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The Alliance's federal and state funding sources mandate that capital assets are reported as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. To be in compliance with GASB 34, the Alliance is required to report depreciation expense in the Statement of Activities.
- (5) Use of Estimates - The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates; however, it is the opinion of management that any fluctuations from estimates would be insignificant and would not materially affect the results of operations or the financial statements taken as a whole.

### NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets is presented below:

#### Financial statement presentation:

##### Cash and equivalents:

Unrestricted - General Operating	\$ 113,659
Restricted - Funded Leave	108,621
TOTAL	<u>\$ 222,280</u>

#### Composition of balances:

Imprest Cash	\$ 235
Deposits:	
Checking Accounts	113,424
Savings Accounts	108,621
TOTAL	<u>\$ 222,280</u>

## SIX COUNTY EMPLOYMENT ALLIANCE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### NOTE B - CASH AND EQUIVALENTS (Continued)

Cash and cash equivalents consist solely of checking and saving account deposits and petty cash.

Michigan statutes authorize the Alliance to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The Alliance carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of June 30, 2006, the Alliance did not hold any commercial paper.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the Alliance's deposits may not be returned. At June 30, 2006, the Alliance held \$357,725 in checking and savings accounts. Of this amount \$257,725 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The Alliance has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The Alliance has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Alliance are in accordance with statutory authority.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE C - DUE FROM STATE OF MICHIGAN

The following is a summary of amounts due from the State of Michigan as of June 30, 2006:

Work First	\$	138,017
FAE&T		2,211
RSA-Construction		1,224
Wagner-Peyser Emp Services		3,143
Trade Act		4,567
WIA Admin		10,714
WIA Adult		20,634
WIA Dislocated Worker		34,974
WIA Youth		27,150
WIA Statewide One-Stop		46,124
Reed Service Center Op.		3
WIA Statewide Incumbent Wkr.		34,610
WIA Incentive		9,135
		<hr/>
TOTAL	\$	<u>332,506</u>

### NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets	\$ 877,758	\$ 49,858	\$ 94,384	\$ 833,232
Total accumulated depreciation	636,321	82,949	94,384	624,886
Total capital assets depreciated, net	<u>\$ 241,437</u>	<u>\$ (33,091)</u>	<u>\$ -</u>	<u>\$ 208,346</u>

Equipment and vehicles reported are depreciated using the straight-line method over a useful life of 5 years.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE E – DEFERRED REVENUE - STATE

The following is a summary of Deferred Revenue - State of Michigan as of June 30, 2006:

Work First - Emp-related SS	\$	340
		<hr/>
TOTAL	\$	340
		<hr/>

### NOTE F - PENSION PLAN

Substantially all Alliance employees participate in a Simplified Employee Pension Plan administered by the Vanguard Group. The plan is a discretionary contribution pension plan with the contributions being made by the Alliance at a rate of 12.5% of the covered employee's wages during fiscal year 2006. Contributions vest immediately and covered employees are eligible upon commencement of employment. The Alliance contributed \$81,703 to the plan for the year ended June 30, 2006. Employees do not contribute to this pension plan. The Alliance is not required to, and does not, contribute 6.2% of wages for the social security portion of FICA.

### NOTE G – DEFERRED COMPENSATION PLAN

The Alliance offers all regular Alliance employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Alliance's financial statements.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### NOTE H - LEASES

The Alliance has various lease arrangements for office space and equipment. Leases for office space are cancelable at the Alliance's option in the event of funding declines. All equipment leases are noncancelable with terms extending out to July 2008. Future minimum rental payments for the equipment leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2007	\$ 5,154
2008	3,364
2009	1,213
2010	924
2011	154
	<u>\$ 10,809</u>

Total office and equipment rental expenditures for the year ending June 30, 2006 were \$291,160. Total office and equipment rental expenditures expected for 2007 are \$291,862.

### NOTE I - GASB 34-COMPLIANT

The Alliance is required to prepare its annual financial statements in the format prescribed by GASB 34. This format is designed to help the users of the statements make better comparisons between governments and has a number of other benefits as well.

### NOTE J - GRANT PROGRAM YEARS

The Alliance administers grants for programs that have year-ends that differ from the Alliance's fiscal year end of June 30. The basic financial statements contain those revenues and expenditures that were earned and incurred during the Alliance's fiscal year ending June 30, 2006. The balance of these program revenues and expenditures are recorded during the period in which they occur.

## **SIX COUNTY EMPLOYMENT ALLIANCE**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

#### **NOTE K - CONTINGENT LIABILITIES**

The Alliance receives significant financial assistance from Federal agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Alliance. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements or individual fund types included in the overall financial position of the Alliance at June 30, 2006.

#### **NOTE L – MUBAA COMPLIANT**

The Michigan Department of Treasury has required that the Michigan Works! Agencies are in compliance with the requirements of the Michigan Uniform Budgeting and Accounting Act. These statements, as well as the Alliance's chart of accounts, are in full compliance with the requirements set forth by MUBAA. The Alliance has prepared its annual financial statements in a format that is compliant with MUBAA. This includes, among other requirements, conforming to the Michigan Uniform Chart of Accounts and adopting a formal budget through a board resolution.

#### **NOTE M – USE OF GRANT FUNDS**

Due to the nature of the grant funds received by the Alliance, services can only be provided to the level of federal, state, and/or other grant funding. The counties have no requirement to fund services beyond that level. During the current audit period, the six counties which comprise the Alliance did not contribute financially to the Alliance.

**SIX COUNTY EMPLOYMENT ALLIANCE  
BUDGETARY COMPARISON SCHEDULE  
MICHIGAN WORKS AGENCY FUND  
For the Year Ended June 30, 2006**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal Grants	\$ 4,500,000	\$ 4,500,000	\$ 4,109,038	\$ (390,962)
State Grants	-	140,792	194,567	53,775
Charges for Services	25,000	25,000	20,816	(4,184)
Interest	2,000	2,000	1,558	(442)
Other Revenue	5,000	10,000	61,587	51,587
Total Revenues	<u>4,532,000</u>	<u>4,677,792</u>	<u>4,387,566</u>	<u>(290,226)</u>
<b>EXPENDITURES:</b>				
Workforce Development Activity:				
Personal Services	970,000	970,000	894,043	75,957
Supplies	105,000	111,000	99,393	11,607
Other Services and Charges	3,400,000	3,440,000	3,342,773	97,227
Capital Outlay	50,000	150,000	49,858	100,142
Total Expenditures	<u>4,525,000</u>	<u>4,671,000</u>	<u>4,386,067</u>	<u>284,933</u>
Increase in Net Assets	7,000	6,792	1,499	(5,293)
Fund Balance - Beginning	130,087	130,087	130,087	-
Fund Balance - Ending	<u>\$ 137,087</u>	<u>\$ 136,879</u>	<u>\$ 131,586</u>	<u>\$ (5,293)</u>



## **ADDITIONAL INFORMATION**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascocoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Six County Employment Alliance  
Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Six County Employment Alliance as of and for the year ended June 30, 2006, which collectively comprise Six County Employment Alliance's basic financial statements and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Six County Employment Alliance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Six County Employment Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Six County Employment Alliance  
Escanaba, Michigan  
Page 2

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

November 1, 2006



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
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Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Six County Employment Alliance  
Escanaba, Michigan

Compliance

We have audited the compliance of Six County Employment Alliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Six County Employment Alliance's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Six County Employment Alliance's management. Our responsibility is to express an opinion on Six County Employment Alliance's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Six County Employment Alliance's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Six County Employment Alliance's compliance with those requirements.

In our opinion, Six County Employment Alliance complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Six County Employment Alliance is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Six County Employment Alliance's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tockman & Company P.C.*  
Certified Public Accountants

November 1, 2006

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2006**

Federal grantor/pass-through grantor/ Program title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Federal Expenditures
<u>U.S. Department of Labor:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Workforce Investment Act (WIA) Cluster:				
WIA Adult	17.258	MWA:06	1,057,153	\$ 876,473
WIA Dislocated Worker	17.260	MWA:06	1,028,855	792,396
WIA Youth	17.259	MWA:06	1,060,999	909,095
Work First - Reed Act	17.225	MWA:06	292,484	151,717
Total WIA Cluster				<u>2,729,681</u>
Passed through Michigan Department of Labor & Economic Growth:				
Employment Services Cluster:				
Wagner-Peyser Employment Services	17.207	MWA:06	285,668	271,143
Wagner-Peyser Reemployment Services	17.207	MWA:06	21,161	21,161
Total Employment Services Cluster				<u>292,304</u>
Trade Act	17.245	MWA:06	77,246	<u>76,068</u>
Granted directly from US Department of Labor				
Navigator Grant	17.266	MWA:06	192,973	<u>116,541</u>
Total U.S. Department of Labor				<u>3,214,594</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Temporary Assistance for Needy Families:				
Work First	93.558	MWA:06	966,142	<u>781,855</u>
Total U.S. Department of Health and Human Services				<u>781,855</u>
<u>U.S. Department of Agriculture:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Food Stamp Cluster:				
State Administrative Matching Grants for Food Stamps:				
Food Assistance Employment & Training	10.561	MWA:06	121,837	<u>112,589</u>
Total U.S. Department of Agriculture				<u>112,589</u>
Total Federal Awards				<u>\$ 4,109,038</u>

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Labor is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Alliance's direct federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the grant activity of Six County Employment Alliance and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

**SIX COUNTY EMPLOYMENT ALLIANCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

Unqualified

- |   |       |     |       |   |               |
|---|-------|-----|-------|---|---------------|
| • Material weakness(es) identified:   | _____ | Yes | _____ | X | No            |
| • Reportable condition(s) identified that are not considered to be material weaknesses? | _____ | Yes | _____ | X | None reported |
| Noncompliance material to financial statements noted?                                   | _____ | Yes | _____ | X | No            |

***Federal Awards***

Internal control over major programs:

- |   |       |     |       |   |               |
|---|-------|-----|-------|---|---------------|
| • Material weakness(es) identified:   | _____ | Yes | _____ | X | No            |
| • Reportable condition(s) identified that are not considered to be material weakness(es)? | _____ | Yes | _____ | X | None reported |

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

_____	Yes	_____	X	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster					
93.558	Work First (TANF)					
17.207	Wagner-Peyser Employment Services and Reemployment Services					
Dollar threshold used to distinguish between type A and type B programs:	\$300,000					
Auditee qualified as low-risk auditee?	<table border="0" style="width: 100%;"> <tr> <td style="width: 10%; text-align: center;">_____</td> <td style="width: 10%; text-align: center;">X</td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center;">_____</td> <td style="width: 10%; text-align: center;">No</td> </tr> </table>	_____	X	Yes	_____	No
_____	X	Yes	_____	No		

**Section II - Financial Statement Findings**

No matters were reported

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported



**SIX COUNTY EMPLOYMENT ALLIANCE  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

None

**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Board of Directors  
Six County Employment Alliance  
Escanaba, MI 49829

**Audit Committee Communications**

We have audited the financial statements of Six County Employment Alliance for the year ended June 30, 2006 and have issued our report thereon dated November 1, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated July 3, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

In planning and performing our audit, we considered Six County Employment Alliance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Six County Employment Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Six County Employment Alliance's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Six County Employment Alliance's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Six County Employment Alliance's compliance with those requirements.

Board of Directors  
Six County Employment Alliance

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by Six County Employment Alliance are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by Six County Employment Alliance during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives on fixed assets is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Six County Employment Alliance's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments made during the audit.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors  
Six County Employment Alliance

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Six County Employment Alliance's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

**Comments and Recommendations**

In planning and performing our audit of the financial statements of the Six County Employment Alliance for the year ended June 30, 2006, we considered the Alliance's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of no matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 1, 2006, on the financial statements of Six County Employment Alliance

This information is intended solely for the use by the board of directors and management of the Six County Employment Alliance and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

November 1, 2006